FISCAL MEMORANDUM

HB 912 – SB 904

March 20, 2017

SUMMARY OF ORIGINAL BILL: Redefines "farm property" for classification and assessment of property taxes.

FISCAL IMPACT OF ORIGINAL BILL:

   Decrease Local Revenue – Net Impact – $1,470,900

SUMMARY OF AMENDMENT (005385):   Deletes language in the original bill that defines "farm property" and replaces it with language specifying that "agriculture" shall be defined by Tenn. Code Ann. § 1-3-105(2) and § 43-1-113, for purposes of property tax assessment.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

   Decrease Local Revenue - $2,899,300

Assumptions for the bill as amended:

- Pursuant to Article 2, Section 28 of the Tennessee Constitution, farm property is assessed at 25 percent of its value and commercial real property is assessed at 40 percent of its value.
- Under current law, pursuant to Tenn. Code Ann. § 67-5-501(3), farm property includes all property that is used for, or held in use, in agriculture, including but not limited to, growing crops, pastures, orchards, nurseries, plants, trees, timber, raising livestock or poultry, or the production of raw dairy products, and acreage used for recreational purposes by clubs, including golf course playing hole improvements.
- This legislation would require a lower assessment percentage of 25 percent for some property uses presently sub-classified as commercial, including: lodging, restaurant, gift shops, wedding venues and other retail operations typically subject to business tax, although the business is conducted at the site of farm operations.
- Based on information provided by the Comptroller of the Treasury (Comptroller), the total statewide recurring decrease in local property tax revenue resulting from the

reclassification of land sub-classified as commercial to farm property is estimated to be $2,899,348.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista M. Lee

Krista M. Lee, Executive Director

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